



Performance-Based Service Contracting

**Acquisition Reform
Train the Trainer Conference
Wright-Patterson AFB OH**

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OVERVIEW

AF Contracting



- ◆ What is PBSC?
- ◆ Guidance (AFI 63-124)
- ◆ Statement of Work
- ◆ Performance Management

PBSC is ...



AF Contracting

◆ Combination of these two components

- Output oriented Statement of Work (SOW)
 - Describing service we want in terms of “WHAT” not “HOW”
 - Contractor to use commercial standards, best practices, and management innovation
- Performance Management
 - Emphasis on Insight and Partnering w/ Contractor
 - Relying on contractor’s quality control program
 - Eliminate government QA duplicating the contractors quality control program
 - Performance incentives

Example



AF Contracting

◆ Old

- Personal Hygiene
- Health Exams
- Food Borne Disease Test
- Equipment & Utensil Cleaning
- Food Preparation Equipment Cleaning
- Serving Equipment Cleaning
- Dining Area Equipment Cleaning

◆ New

- Comply with FDA Food Code which results in a satisfactory or better rating in Health Inspections



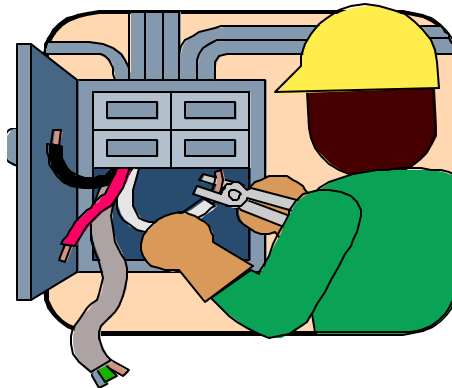


Example

AF Contracting

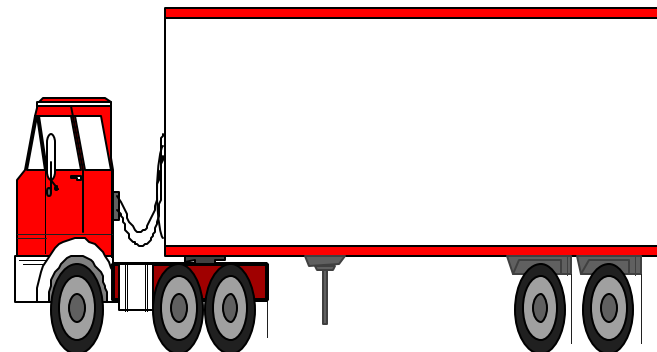
◆ Old

- Items to be stocked
- Stocking Levels
- Restocking Intervals



◆ New

- When the parts are required
 - » High use - 30 minutes
 - » Moderate use - 4 hours
 - » Low use - 72 hours



Why is this important to you?



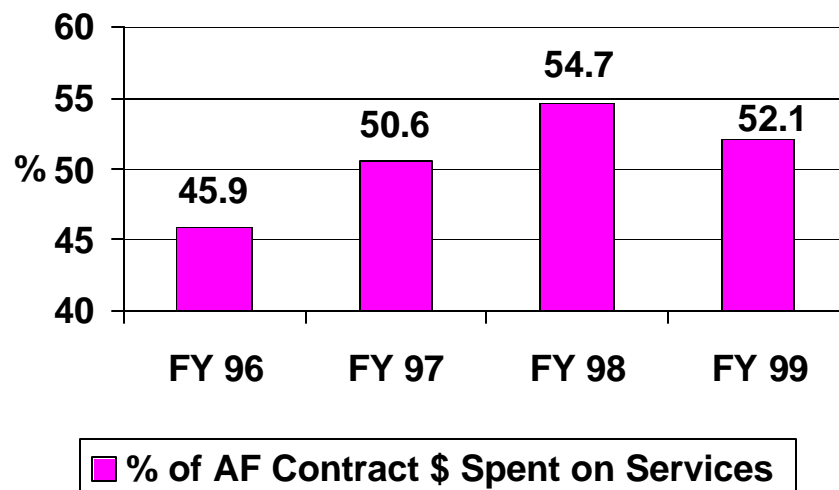
AF Contracting

- ◆ Participate on the BRAG
- ◆ Market Research
- ◆ PWS/SOW development
- ◆ Develop MEO Staffing based on PWS/SOW

Growth of Services



AF Contracting

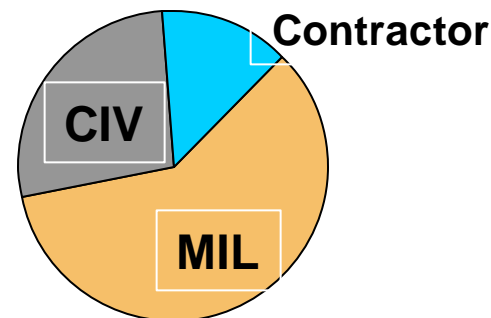


◆ Service contracts > \$100k

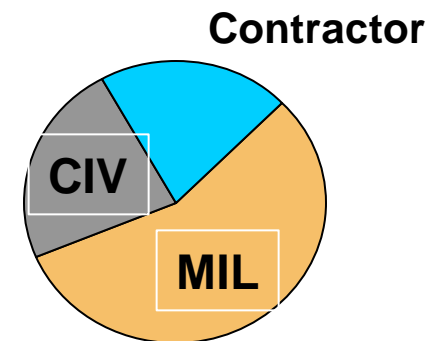
◆ FY 99 > \$18.6 B

◆ Total AF Resource Shift
FY97 vs FY05

FY97
13.5%
Contractor



FY05
20.5%
Contractor





Service Contracting Philosophy

AF Contracting



- ◆ **Up-front Effort to Improve Business Process Will Payoff Throughout Contract(s) Life**
- ◆ **Requirements Defined As Outcomes and Standards vs “How To” Language/Referenced Docs**
- ◆ **Performance Determined by Objective Standards**
- ◆ **Encourage Use of Commercial Practices**
- ◆ **Past Performance & Best Value Used in Selecting Contractor**

Benefits of PBSC



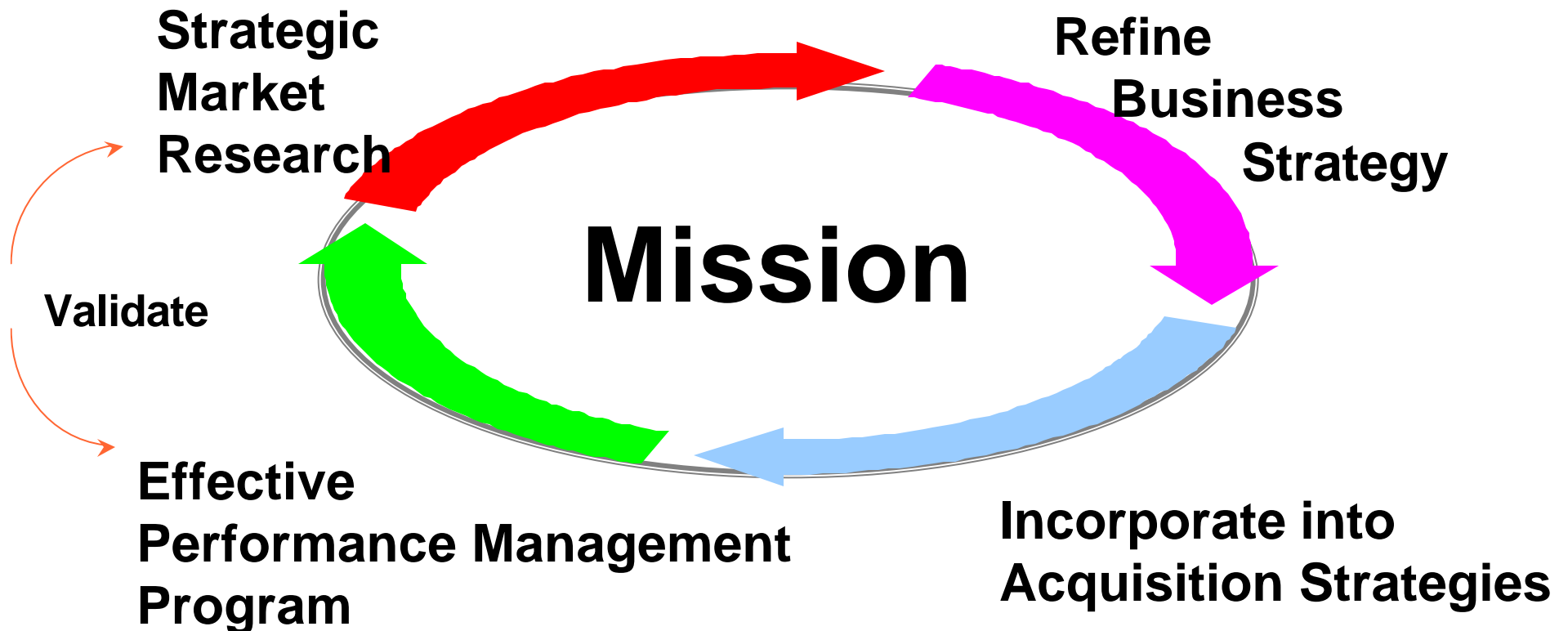
AF Contracting

- ◆ **Better prices and performance**
- ◆ **Clear and definitive performance requirements**
- ◆ **Flexibility in how the contractor performs**
 - Requires less modifications
- ◆ **Less surveillance required**
 - Quality assurance focuses on outcomes, not processes
 - Contractor motivated to use innovative approaches

Comprehensive Business Strategy Loop



AF Contracting



Guidance



AF Contracting

- ◆ **AFCAPI (13 Jul 98), interim until AF 38-203**
- ◆ **FAR Subpart 37.6 added 21 Oct 97**
 - Titled *Performance-Based Contracting*
 - Implemented OFPP Policy Letter 91-2
 - Described policy and procedures for use of performance-based contracting
- ◆ **AFI 63-124, Performance-Based Service Contracts (1 Apr 99)**
 - Replaced AFMAN 64-108, Service Contracts

Mechanics AFI 63-124



AF Contracting

- ◆ **Emphasis on Acquisition Team Approach**
 - **Performance Management Council**
 - Installation leadership reviewing the overall health of their service contracts
 - **Business Requirement and Advisory Group (BRAG)**
 - A customer-focused multifunctional team to plan and manage service contracts
- ◆ **Performance Management**

New Terminology in AFI 63-124



AF Contracting

<u>FROM</u>	<u>TO</u>
PWS	SOW (includes PWS, Work Statement, SON, SOO, TRD)
FAC	Functional Director or Functional Commander
QAE	QA Personnel (QAE, QAS, FAE)
PRS	Service Delivery Summary (SDS)



CSMSG vs BRAG

AF Contracting



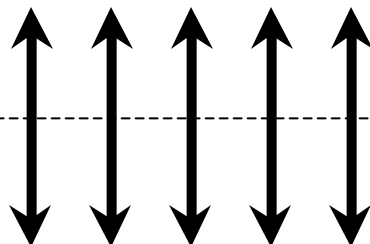
**Cost Comparison
Management
Steering Group**

Responsibilities

- Manage CC process
- CC Decision Makers
- Public announcements/notifications
- Appeals

(A-76 Process)

(Acquisition Process)



Information
Decisions
Documents

**Business Requirements
Advisory Group**

Responsibilities

- Plan & Manage Svc Contract
- Market Research
- Requirements Definition
- RFP/Contract Structure
- Source Selection
- Protests
- Performance Management

Installation Commander
Performance Management Council

**Strategic
Sourcing**

**Business
Planning**



**Market Research
Partnering**

**Teaming
SOW Development**



Wing Business Strategy / Acquisition Strategy / Performance Management

Performance Management Council



AF Contracting

- ◆ **Forum for Commander to assess health of installation service contracts**
- ◆ **Responsibilities:**
 - **Assessing Effectiveness of Contractor Operations**
 - **Verifying Effectiveness of Government Performance Management**
 - **Address budgetary issues related to contract operations**
 - **Approving Formal Partnering Agendas**

Business Requirements Advisory Group (BRAG)



AF Contracting

- **A customer-focused multifunctional team to plan and manage service contracts**
 - Market research (Labor market analysis)
 - Requirements definition
 - Contract structure
 - Quality/Surveillance Measures
 - Receive and assess contractor input
 - Mandatory at either contract or customer level



AF Contracting

Statement of Work

Performance Based SOW



AF Contracting

- ◆ Requirements are outcome based
- ◆ Requirements are Measurable
- ◆ Simplified Format
- ◆ Contractor empowered to use best commercial practices and management innovation

From Specifying “How To”

To “Performance Based”

C o n t i n u u m

Statement of Work Format

AF Contracting



- ◆ I. Description of Services
- ◆ II. Service Delivery Summary (SDS)
- ◆ III. Government Furnished Property and Services
- ◆ IV. General Information
- ◆ V. Appendix(s)

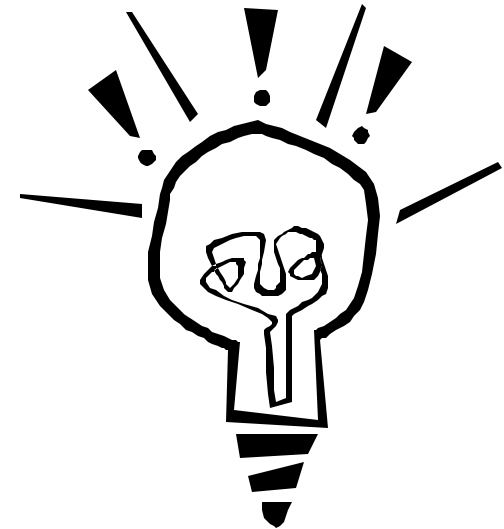
SDS is the foundations of the requirement, the other sections just supplement this

Methodology



AF Contracting

- ◆ Outcome analysis*
- ◆ Performance analysis *
- ◆ Service Delivery Summary
- ◆ Statement of Work Format



***OFPP Best Practices Guide to Performance Based Service Contracting**

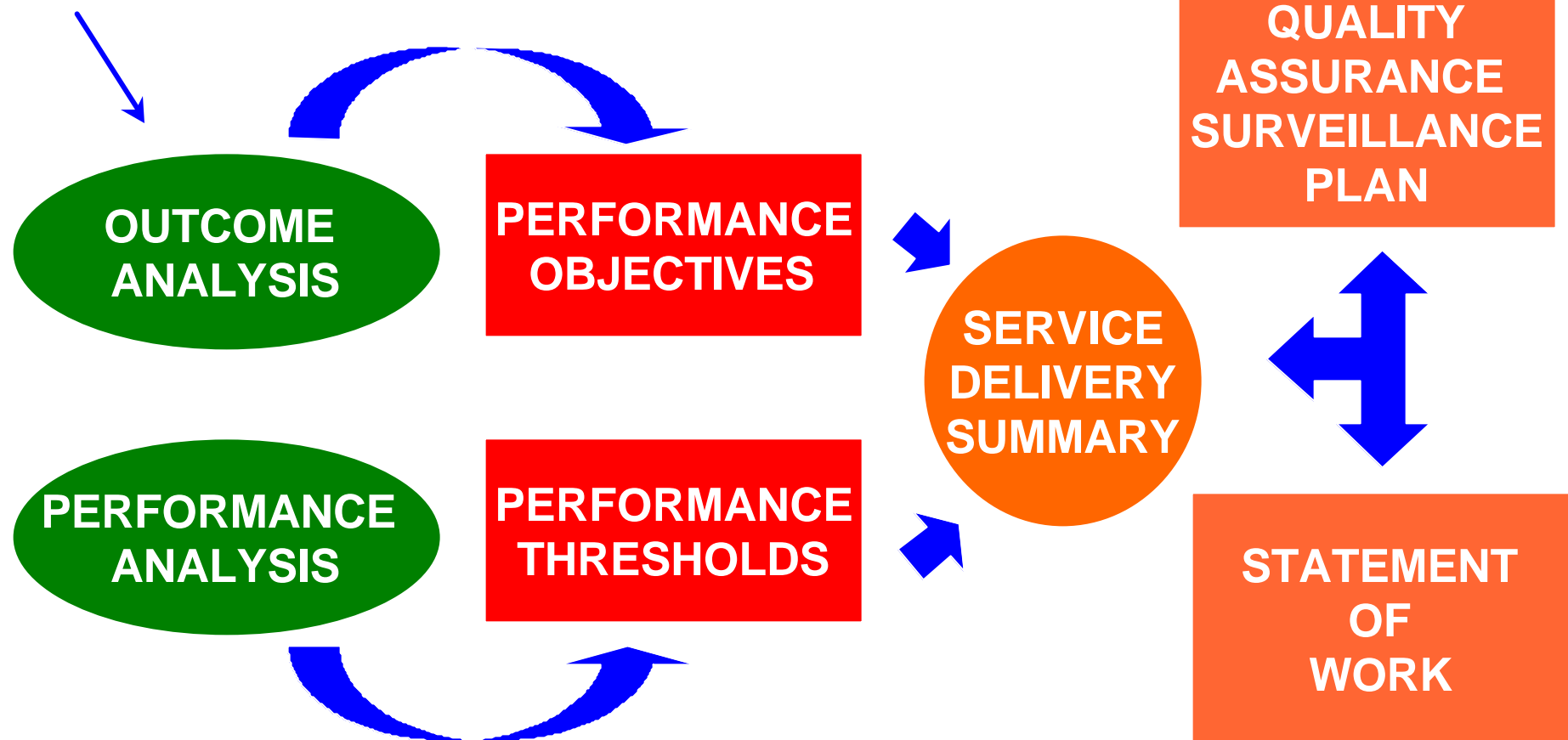
<http://www-far.npr.gov/BestP/BestP.html>

SOW Development Process



AF Contracting

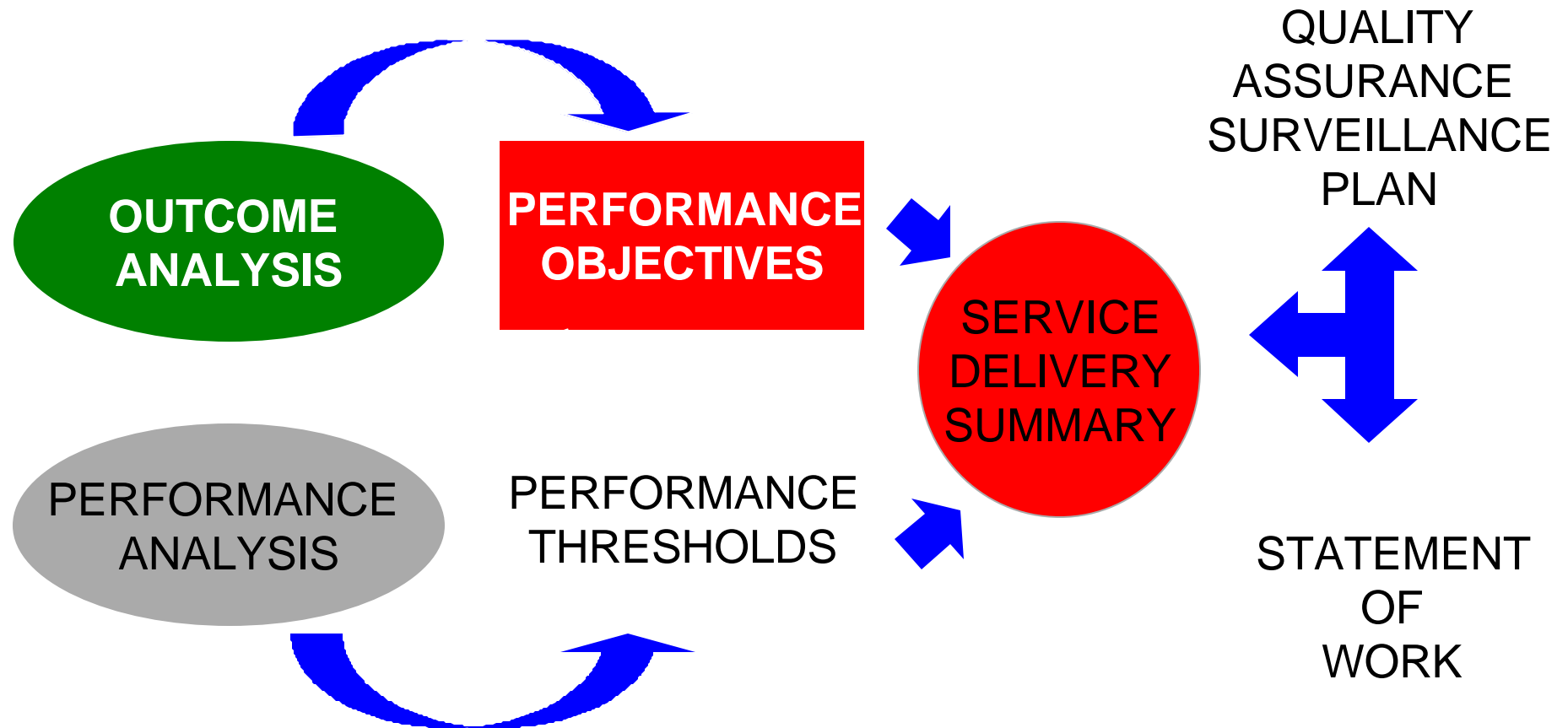
Start



Process



AF Contracting



Outcome Analysis



AF Contracting

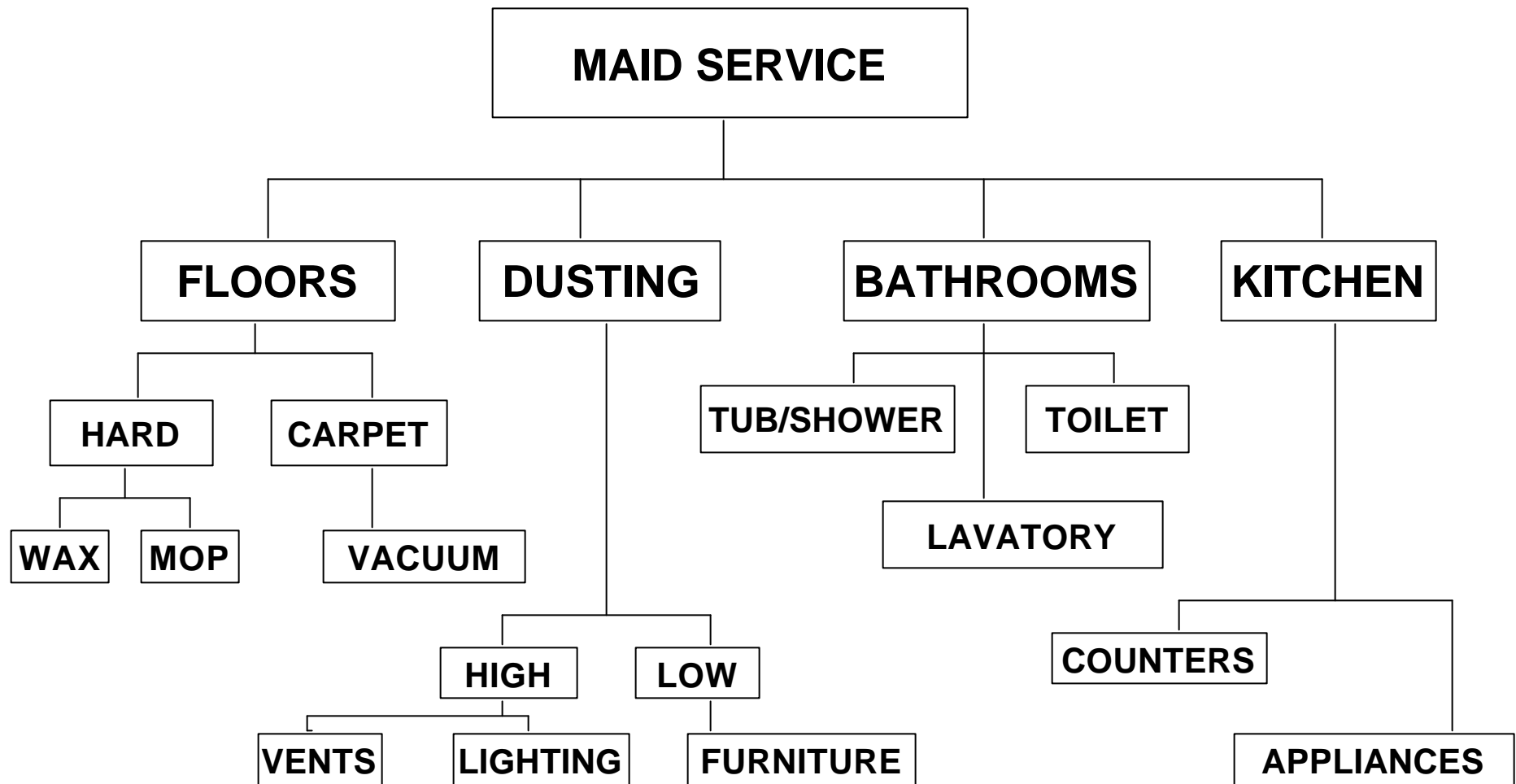
- ◆ **Identify Performance Objectives**
 - Services and output required
 - “What” or end results

- ◆ **Breakdown tasks into multiple levels**
 - use tree diagram or other tool

Example



AF Contracting



Outcomes



AF Contracting

- ◆ Floors are free of any visible dirt
- ◆ Vents, lighting and furniture are free of dust
- ◆ All porcelain and countertops in bathroom are clean and sanitized
- ◆ Kitchen counters are clean and sanitized
- ◆ Appliances are free of dirt and smudges

Incorporation of Market Research



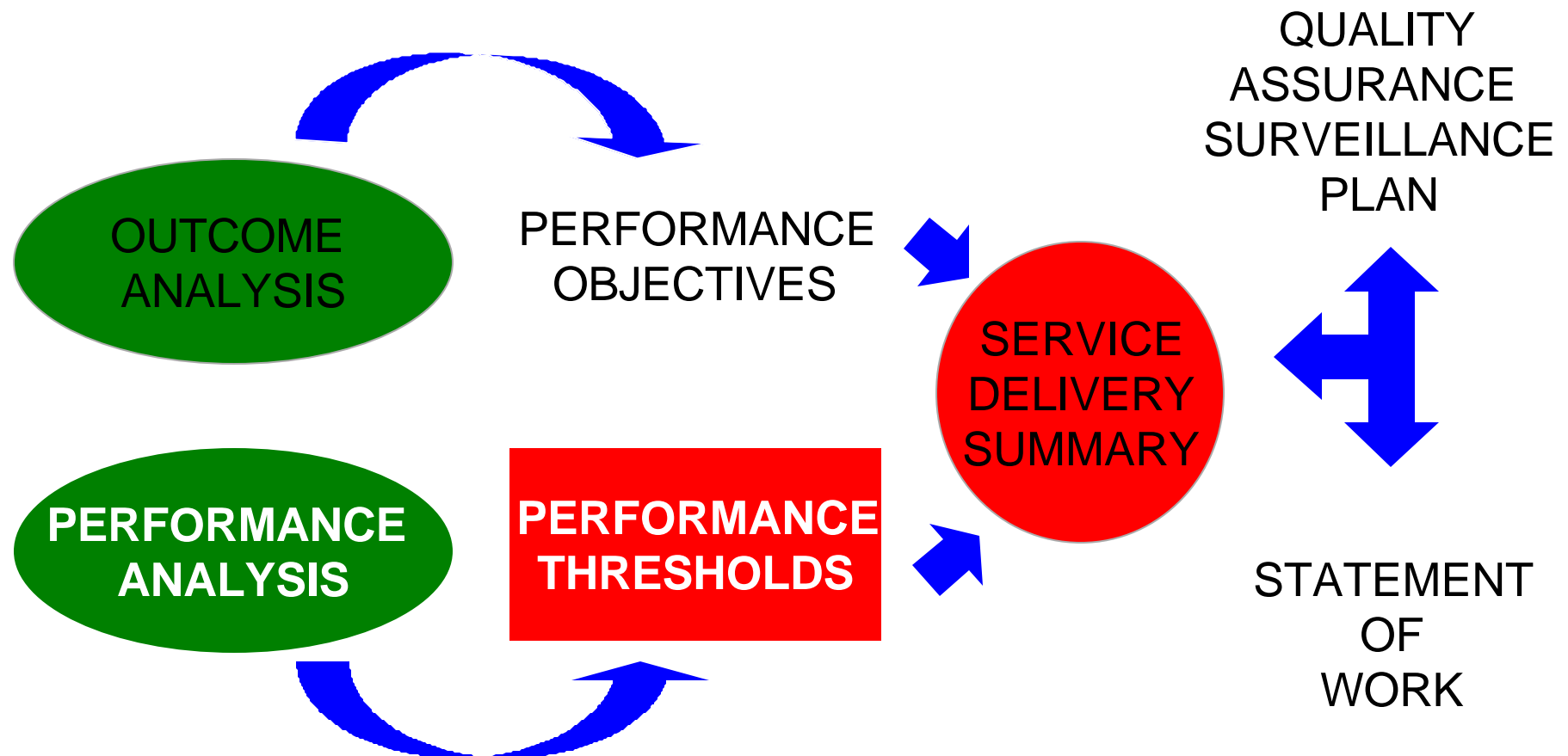
AF Contracting

- ◆ Where possible outcomes should be consistent with commercial outcomes as identified through market research
- ◆ If the outcome identified is not consistent with commercial outcomes--consider modifying if possible

Process



AF Contracting



Performance Analysis



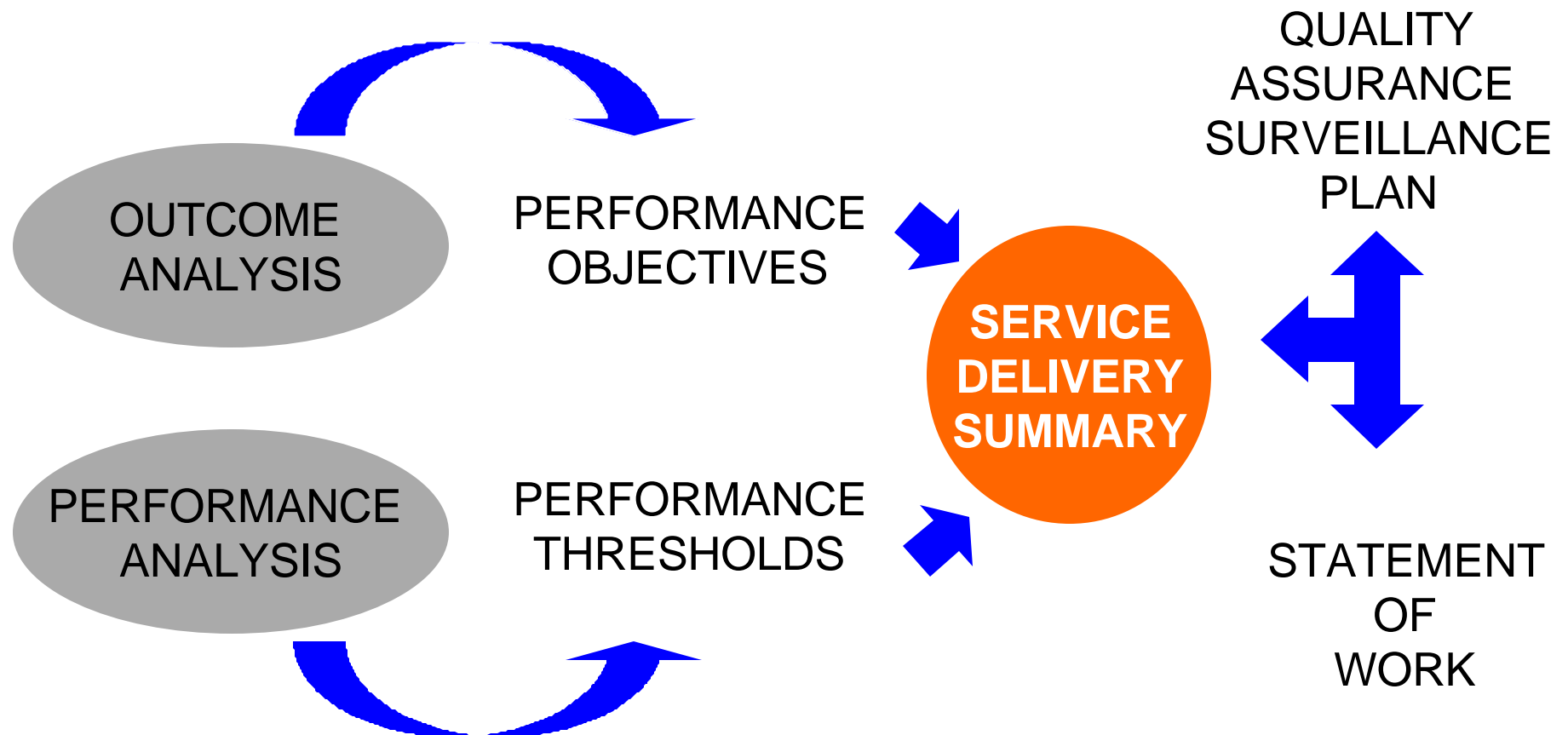
AF Contracting

- ◆ Use performance objectives from your outcome analysis
- ◆ Establish Performance Thresholds (Specific Standard)
 - Rarely 100%
 - » May be desirable, but not achievable
 - Determine acceptable deviation
- ◆ Use commercial standards when available as determined through market research

Process



AF Contracting



Service Delivery Summary (SDS)



AF Contracting

- ◆ Includes Performance Objectives and Performance Thresholds
- ◆ Captures the overall requirement at the outcome level
- ◆ Not to be Confused with Performance Requirements Summary (PRS)
 - Objectives are based on outcomes, not tasks
 - No percentages, No deducts

Service Delivery Summary



AF Contracting



Performance Objective	SOW para.	Performance Threshold
Comply with sanitation requirements of the food code and state and local laws/regulations, which results in a satisfactory or better rating in Health Inspections..	9.d.(3), 13.b., 15, & 16.a.(4)	100% of the time
The contractor shall accomplish the food preparation tasks in accordance with recipe cards and serve in standard portions.	I.3.c.	95% of menu items per meal period.

SDS



AF Contracting

MAID SERVICE

Performance Objective	SOW para.	Performance Threshold
Floors are free of any evidence of dirt.	I. x.f.	(Customer satisfaction) Less than X validated customer complaints per month.

PARTS STORE

Performance Objective	SOW para.	Performance Threshold
Parts in the following classifications will be provided within the following times after request: High use - 30 minutes Moderate use - 4 hours Low use - 72 hours	I.x.c.	95% of requests per month

Example



AF Contracting

- ◆ **Task** - Safety program (subtasks: establish, implement and maintain)
- ◆ **Objective** - Establish, implement, and maintain a comprehensive safety, program that meets the current requirements of federal law
- ◆ **Threshold** - No OSHA reportable violations resulting from contractor action or inaction
- ◆ **Threshold** - Mishap frequency and severity rate shall not exceed the base three year average

Another example



AF Contracting

- ◆ **Task - Provide network help desk**
- ◆ **Objective - Timely and efficient service**
- ◆ **Threshold - 75% of technical support questions resolved within eight working hours, the remaining 25% of technical support calls resolved within 24 working hours.**

More examples



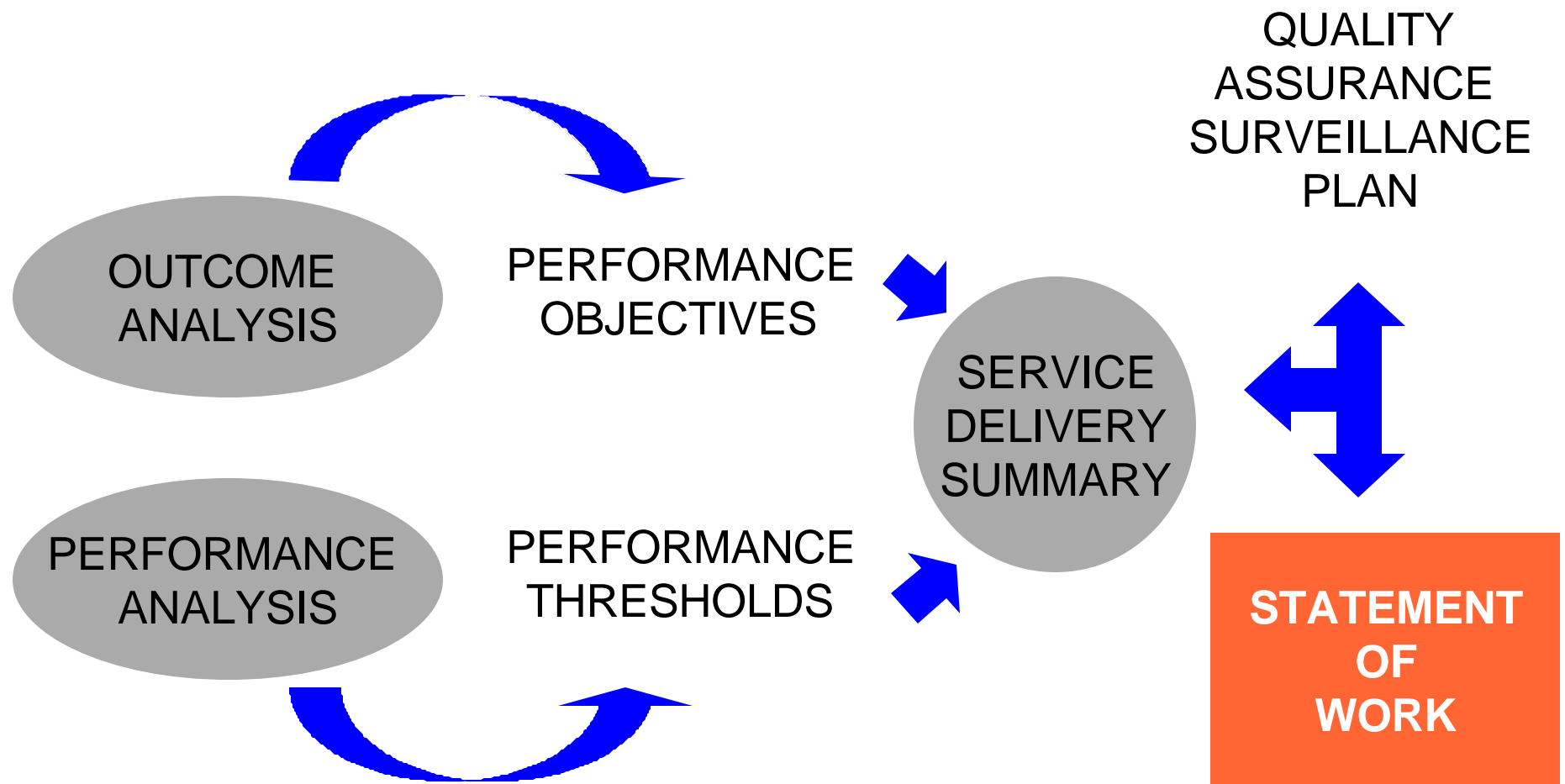
AF Contracting

- ◆ **Task - Staffing (Filling Job Vacancies)**
- ◆ **Objective - to ensure positions are filled with qualified candidates in a timely and accurate manner**
- ◆ **Threshold - selections will be based on OPM and Air Force guidance without discrimination or any other non-merit factors**

Process



AF Contracting



Reference to AFIs & Publications



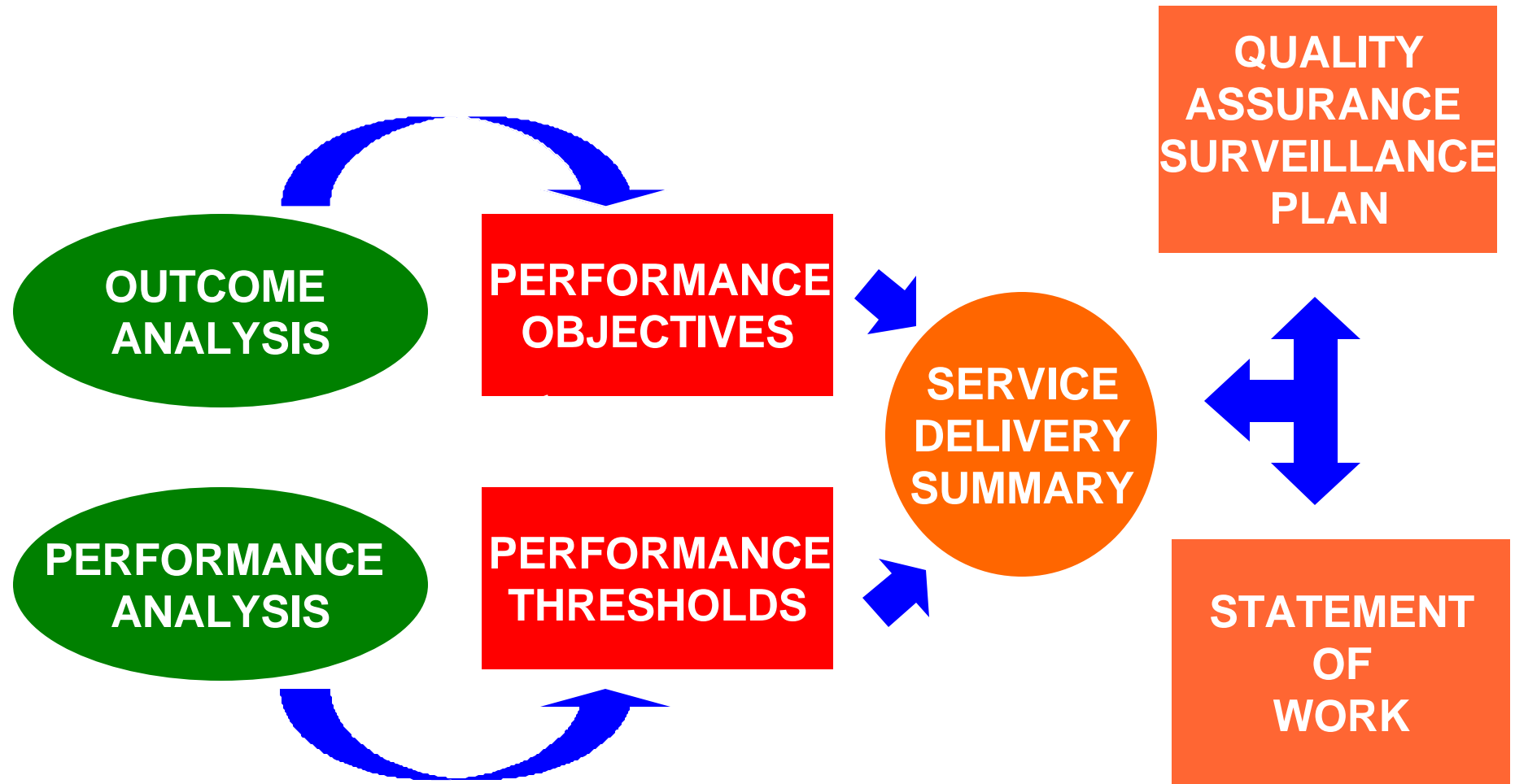
AF Contracting

- ◆ Question necessity for references
- ◆ If necessary, only cite specific chapter or paragraph - not entire AFI (AFI 63-124, para. 1.3.a.5.)
- ◆ References should be included in the text for Description of Services along with the applicable requirement
 - i.e. The food service contractor shall ensure only authorized individuals are served, IAW AFI 34-241, para. 1.1.

Process



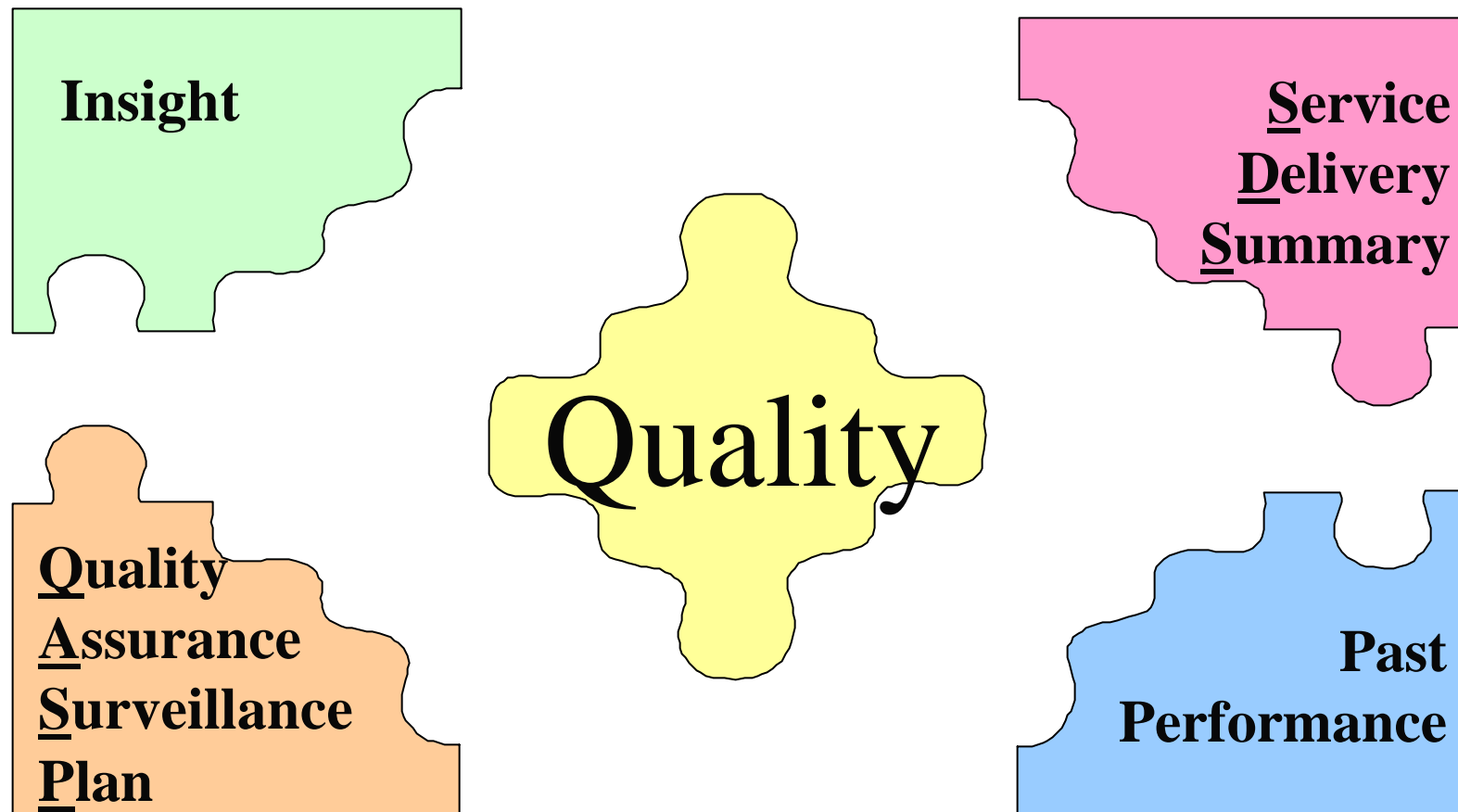
AF Contracting



Performance Management



AF Contracting



Performance Management Concept



AF Contracting

- ◆ **Emphasis on Insight & Partnering w/ Contractor**
- ◆ **Relying on contractor's quality control program**
- ◆ **Focus: Are Standards Met? Vs Processes Used**
- ◆ **Shift responsibility for quality of services from government to contractor**
- ◆ **Contractor Quality System is validated not duplicated**

Performance Management Concept



AF Contracting

- ◆ **Use Metrics to Tap into Contractor's Quality Control**
 - **Use Metrics: Focus on Outcomes/End Products and Rely on Contractor's Quality Control Program**
- ◆ **Contractors capture process data**
 - **Important requirements tracked/measured**
- ◆ **Contractor/Gov't jointly analyze the data**
 - **Contractor expected to drive innovation**
 - **Analysis appropriate to management levels**

Performance Management Concept

AF Contracting



- ◆ **Incentive/award fee/term contracts**
 - Contractor generates savings; government/contractor share
 - Contractor judged on quality and savings
 - Contractor expected to think strategically
 - Incentives must motivate

Quality Assurance Plan



AF Contracting

- ◆ Tailor system to management risks and costs associated with requirements
- ◆ Rely on customer complaints where contract nonconformance can be validated
- ◆ Allow contractor to perform surveillance of services as part of their quality assurance program

Inspection of Services Clause



AF Contracting

- ◆ Required to be on every contract
- ◆ Right to inspect anytime, any where
- ◆ Requires contractor to provide an inspection system
 - Contractor shall have records of inspections available to the Government
- ◆ Contractor shall re-perform deficient services

Quality Assurance Surveillance Plan



AF Contracting

- ◆ Developed by the BRAG
- ◆ Same performance objectives as the SDS
- ◆ Same performance measures as the SDS
- ◆ Provides performance thresholds (error rate)
- ◆ Methods of surveillance
- ◆ Included in solicitation, not in contract

Ingredients of Success



AF Contracting

- ◆ **Leadership, Functional and Contracting Partnership Required**
 - Continuous communication and improvement
- ◆ **Adapt best practices and lessons learned of gov't and industry**
- ◆ **Ensure we have the right goal -- successful mission performance -- not just cost savings**



AF Contracting

Questions??